SIDLEY & AUSTIN
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

1722 EYE STREET, N.W.
WASHINGTON, D.C. 20006
TELEPHONE 202 736 8000
FACSIMILE 202 736 8711

FOUNDED 1866

CHICAGO
DALLAS
LOS ANGELES
NEW YORK
LONDON
SINGAPORE
TOKYO

WRITER'S DIRECT NUMBER
(202) 736-8034

October 30, 1997

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: Errata for AT&T Comments in CC Docket Nos. 96-45, 97-160

Dear Mr. Caton:

Please accept for filing the attached errata to the Reply Comments of AT&T Corp. and MCI Telecommunications Corporation on Designated Input and Platform Issues in Forward-Looking Mechanism for High Cost Support for Non-Rural LECs. Enclosed are pages 6 and 7 of the Reply Comments. In footnote 8, on page 6, the word "not" was inadvertently left out and on page 7 the term "right-of-way" was inadvertently substituted for "sight preparation." I have enclosed an original and 6 copies. Thank you for your attention to this matter.

Sincerely,

Scott M. Bohannon

Scott M. Bohannon

cc: Counsel of Record

The comments include a handful of more specific criticisms of Hatfield Model default values. None has merit. For example, Bell Atlantic (at 2) claims that NID cost should include all installation costs (including running a ground wire) and should reflect variations among different types of business and residential NIDs, and Aliant (at 5-6) maintains that a NID should have one protector for each line.[8] In fact, the Hatfield Model allows the number of protectors to vary based on the type of NID employed (AT&T and MCI at 12-13) and the Model's designers have included all expenses for NID installation. Bell Atlantic (at 2) also criticizes Hatfield's SAI assumptions, claiming that the model should reflect varying costs of inside and outside SAIs. Bell Atlantic at 2. Aliant (at 6) claims that indoor SAIs should include the cost of protecting all incoming pairs. But the Hatfield Model does reflect both indoor and outdoor SAIs, and the Model includes more than enough protector investment because a protector is provided for each wire pair at the customer premise.

GTE's suggestion (at 19) that DLC costs should include expenses for pre-cast concrete huts or controlled environment vaults ("CEVs") along with right-of-way costs that are between $40,000 and $150,000 is absurd. Possibly these cost represent yet another attempt by GTE to inflate universal service costs, or to recover historic investments, but they are inappropriate in a forward-looking model.[9] Modern DLC equipment has a very small "footprint," occupying far less

[8] The Hatfield Model does include investment costs for one protector per line, but these costs are not allocated to the SAI investment category.

[9] GTE's attempts to base universal service costs on embedded investment are legion. Its latest suggestion is to use a time series model to project "forward looking" expenses. GTE at 41-46. Even if such an approach made economic sense, it would at best project embedded costs, not forward-looking economic costs. As such, the projections would always reflect the inefficiencies associated with GTE's embedded, inefficient network and practices. GTE also violates elemental (continued...)

space and is more weatherproof and environmentally robust than older equipment, and does not require CEV-type protection. Accordingly, the $3,000 value for sight preparation used by Hatfield is more than adequate for forward-looking universal service calculations. Indeed, if GTE's figures were accurate it would be impossible to explain the widespread deployment of DLC technology that is occurring today.

GTE (at 8) also criticizes the Hatfield Model for "consistently us[ing] the lowest cost estimates received as support for the Model's default inputs rather than an average of all the bids received." As an initial matter, Hatfield typically employs values that lie within the range of estimates received, not the lowest estimate. In fact, when the Hatfield designers believed that an estimate provided by a vendor would not permit cost recovery for the appropriate standards of workmanship and materials, those estimates were excluded altogether and they do not appear in the Hatfield Input Portfolio. Amazingly, GTE takes its argument even further. It asserts that "[u]se of only the lowest bids leads to an understatement of actual costs since the lowest bidder may have misjudged actual costs[.]" GTE at 8-9. At the same time, GTE is advocating an auction as the best method for allocating universal service support. Is GTE suggesting that low bidders in its proposed universal service auctions should be disqualified from winning USF bids? Unlike GTE, AT&T and MCI (and most other companies in competitive environments) do not believe that taking the lowest bid is inappropriate. In any event, the Hatfield Model typically uses

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(...continued)
forward-looking pricing principles by suggesting that drop installation costs should ignore the obvious economies of installing loops and drops en masse. See GTE at 15-16.